Washington report, vol. 14 no.38, November 25, 1985

American Institute of Certified Public Accountants.

AICPA Washington Report

November 25, 1985, Volume XIV, Issue 38

FEDERAL ELECTION COMMISSION

Units of the Federal Election Commission will be moving November 23 into their new headquarters at 999 E Street in Northwest Washington, according to a 11/20/85 release from the FEC. The newly renovated building is directly across from the Federal Bureau of Investigation and next to Ford's Theater. Offices occupying the top two floors will move first. Commissioners, Deputies to Ex-Officio Members, the Staff Director, the Secretary of the Commission and their staffs will occupy the ninth floor. The Data Systems Development Office, Personnel Office and units of the Administration will be situated on the eighth floor. During the weekend of 11/30/85 the FEC Depository Library will be moved to the new site. On 12/7-8/85 the Office of the General Counsel will move to the sixth floor of the new headquarters, while the Audit Division, Reports Analysis Division and National Clearinghouse on Election Administration will occupy the seventh floor. The FEC will continue to recieve mail, reports and documents at 1325 K Street, NW until further notice. The Press Office, the Public Records Office and the Information Services Division will remain at the K Street location until moving dates have been determined. The main switchboard number at the new headquarters is 376-5140. Divisions remaining at the K Street location will retain their current phone numbers. All questions relating to the move should be addressed to the FEC Press Office at 523-4065.

FEDERAL RESERVE SYSTEM

Perpetual Debt as Primary Capital is the subject of a notice of proposed rulemaking issued by the Board of Governors of the Federal Reserve System (see the 11/20/85 Feg. Reg., pp. 47754-56). Capital adequacy, according to the Federal Reserve, is one of the critical factors the Board of Governors of the Federal Reserve System is required to analyze in taking action on various types of applications, such as mergers and acquisitions by bank holding companies, and in the conduct of the Board's various supervisory activities related to the safety and soundness of individual banks and bank holding companies and the banking system. In April 1985, the Board announced revised Guidelines for required and appropriate levels of capital for bank holding companies and state chartered banks that are members of the Federal Reserve System. At the time the Board announced it would continue to study the issue of whether to consider treating "perpetual debt" as a form of primary capital. the Board has decided to seek public comment on this issue, and to that end has proposed to amend its Capital Adequacy Guidelines to include as primary capital perpetual debt securities issued by state member banks and bank holding companies, provided these perpetual debt securities meet certain criteria. The Board also proposes to limit the combined amount of mandatory convertible instruments, perpetual preferred stock and perpetual debt that could qualify as primary capital in order to ensure that common stock remains the dominant component of primary capital. Comments must be received by 1/17/86. For further information contact Anthony Cornyn at 202/452-3354

Fee schedules effective 1/1/86 have been approved by the Board of Governors for check collection, automated clearing house, wire transfer of funds and net settlement, definitive securities safekeeping and noncash collection and book-entry securities services (see the 11/19/85 Fed. Reg., pp. 47624-7). An increase of approximately 11.3% was also approved for the Private Sector Adjustment Factor, which is a recovery of imputed costs that takes into account the taxes would have been paid and the return in capital that would have been provided had the Federal Reserve's priced services been furnished by a private business firm. For further information contact Elliott C. McEntee at 202/452-2231.

In a related matter, comments are requested on a proposed rule that would require paying banks that close voluntarily on banking days for their Reserve Banks to pay on those days for cash items made available to them by the Reserve Banks (see the 11/20/85 Fed. Reg., pp. 47752-3). The proposed rule would also modify the procedures Reserve Banks use to recover the value of float generated in automated clearing house (ACH) operations due to nonstandard holiday closing, reduce financial risks to the Federal Reserve by changing procedures in handling ACH credit transactions on days that the originator is closed and establish a uniform holiday schedule to be followed by Reserve Banks. Comments must be submitted by 12/30/85. For further information contact Florence M. Young at 202/452-3955.

NATIONAL CREDIT UNION ADMINISTRATION

Federal Credit Unions are now permitted to offer self-directed IRA and Keogh plans to their members, according to an interpretive rule recently approved by the NCUA Board. A self-directed account differs from the IRA and Keogh accounts presently offered by credit unions in that members would have the option of transferring a portion of their funds out of the credit union share account and into one or more equity investments, such as stocks, bonds, and mutual funds. In this way, members can retain their account identity with the credit union while still being permitted to diversify their IRA investments. Federal credit unions must disclose to members that once the funds leave the credit union share or share certificate account and enter a self-directed IRA program, they are no longer insured by the National Credit Union Share Insurance Fund (NCUSIF). The credit union may not offer investment advice and may not exercise investment discretion. All orders to buy and sell equity investments must come from the member. The member may place the orders directly with the broker dealer with whom the credit union has a relationship (i.e. the broker dealer executes the securities trades), or the member may instruct the credit union to place the order on the member's behalf. The interpretive ruling is effective immediately. Comments are requested by 1/20/86. For further information contact the NCUA Public Information Office at 202/357-1050.

SECURITIES AND EXCHANGE COMMISSION

An SEC Forum on Takeover Developments, with experts from the financial, legal and academic communities, will be held on Tuesday, 11/26/85 in the Commission Meeting Room, 1C30, 450 Fifth Street, N.W., Washington, D.C. The forum will begin at 10:00 a.m. and will focus on issues raised by recent judicial and marketplace developments and their potential implications for regulatory policy, according to SEC. Issues will include, but not be limited to, open-market and privately negotiated acquisition programs, discriminatory tender offers, two-tier and partial offers, high yield financings, "poison-pill" securities, recapitalizations and other defensive responses. Participants include Mr. A. A. Sommer, Jr. a partner with the law firm of Morgan, Lewis & Bockius, and a member of the AICPA's Public Oversight Board. The forum is expected to adjourn at 4:30 p.m.

TREASURY, DEPARTMENT OF

Disclosure of tax return information by tax return preparers for the purposes of monitoring and auditing return preparation and for the purpose of assisting the tax return preparer or his legal representative in operating the business in the event of incapacity or death of the tax return preparer, is the subject of a notice of proposed rulemaking by the IRS (see the 11/19/85 Fed. Reg., pp. 47563-64). The proposal, according to IRS, would amend the Regulations on Procedure and Administration under section 721(b)(3)(26 CFR Part 301). The proposed amendment adds a new category to the list of permitted disclosure or use of tax return information without the formal consent of the taxpayer. Written comments and request for a public hearing must be delivered or mailed by 12/19/85. For further information contact Richard Chewning at 202/566-3289.

TREASURY, DEPARTMENT OF

Processing of taxpayer returns should go smoothly in 1986 IRS Commissioner Roscoe L. Egger told the Senate Judiciary Subcommittee on Administrative Practice and Procedure at an 11/19/85 hearing held to review IRS preparations for the 1986 filing season. While Commissioner Egger said he could not "guarantee that some problems will not appear during the 1986 filing season,... because of the series of technological, systemic, and operational modifications that we have already put in place, combined with our extensive planning and training incentives, we are better prepared to deal with any problems that may arise next year." He said the computer software has been through "intense 'debugging' procesures," additional central processing units for the mainframe systems and peripheral equipment will be added to the service centers, personnel have received additional training and new workflow control procedures will be implemented before the 1986 filing season begins. Commissioner Egger also said IRS will be placing greater emphasis on "quality and responsiveness" and the telephone capacity would be increased and employees would receive taxpayer service training. Commissioner Egger said before the new data processing system was implemented "IRS understood that changing from an existing system necessarily involved some risks" but that there was a "basic need to replace the aging processing equipment." He said the new system was designed "as carefully as possible," as well as reviewed by IRS and outside specialists. He cited enactment of major tax legislation, increased volume of tax returns and reduced staffing because of budget constraints as factors which contributed to the problems IRS experienced in processing returns during the 1985 filing season. The last five tax bills passed by the Congress "contained more than 1,900 pages of changes in the tax code, the number of returns filed increased from "160 million in FY 1980 to 173 million in FY 1984" and the number of IRS employees in the processing division "was reduced by more than 34 percent" between FY 1980 and FY 1984, Commissioner Egger said.

For further information contact Gina Rosasco, Shirley Hodgson, or Nick Nichols at 202/872-8190.

AICPA *Washington Report*

American Institute of Certified Public Accountants
1620 Eye Street, N.W., Washington, D.C. 20006

FIRST CLASS MAIL